

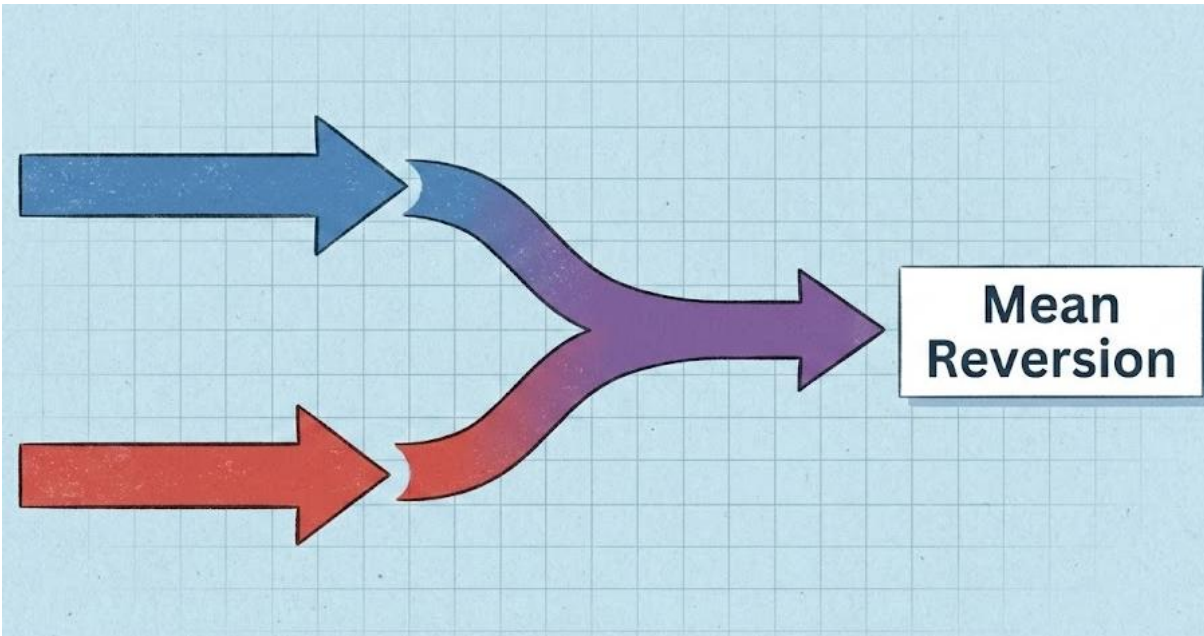
From Headwinds to Tailwinds: How Finance-led Turnarounds Drive Sustainable Growth

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Reversion to the Mean Theory

Def: Over time, financial performance and stock price movements tend to move back towards the long-term industry or market average



- Increased Competition
- Industry Shifts
- Changes in Strategy
- Impact from Risks
- Operational Excellence
- Technology Acquisition
- Acquisition Synergy

Timeline of a Turnaround

How do companies become profitable overtime?

01

Distracted Management
Failure to Adapt to Market Changes, Lack of Operating Controls, Overexpansion, Excessive Leverage

02

Missed Warnings
Ignore Financial Predictors, Misinterpret Signals, Information Asymmetry

03

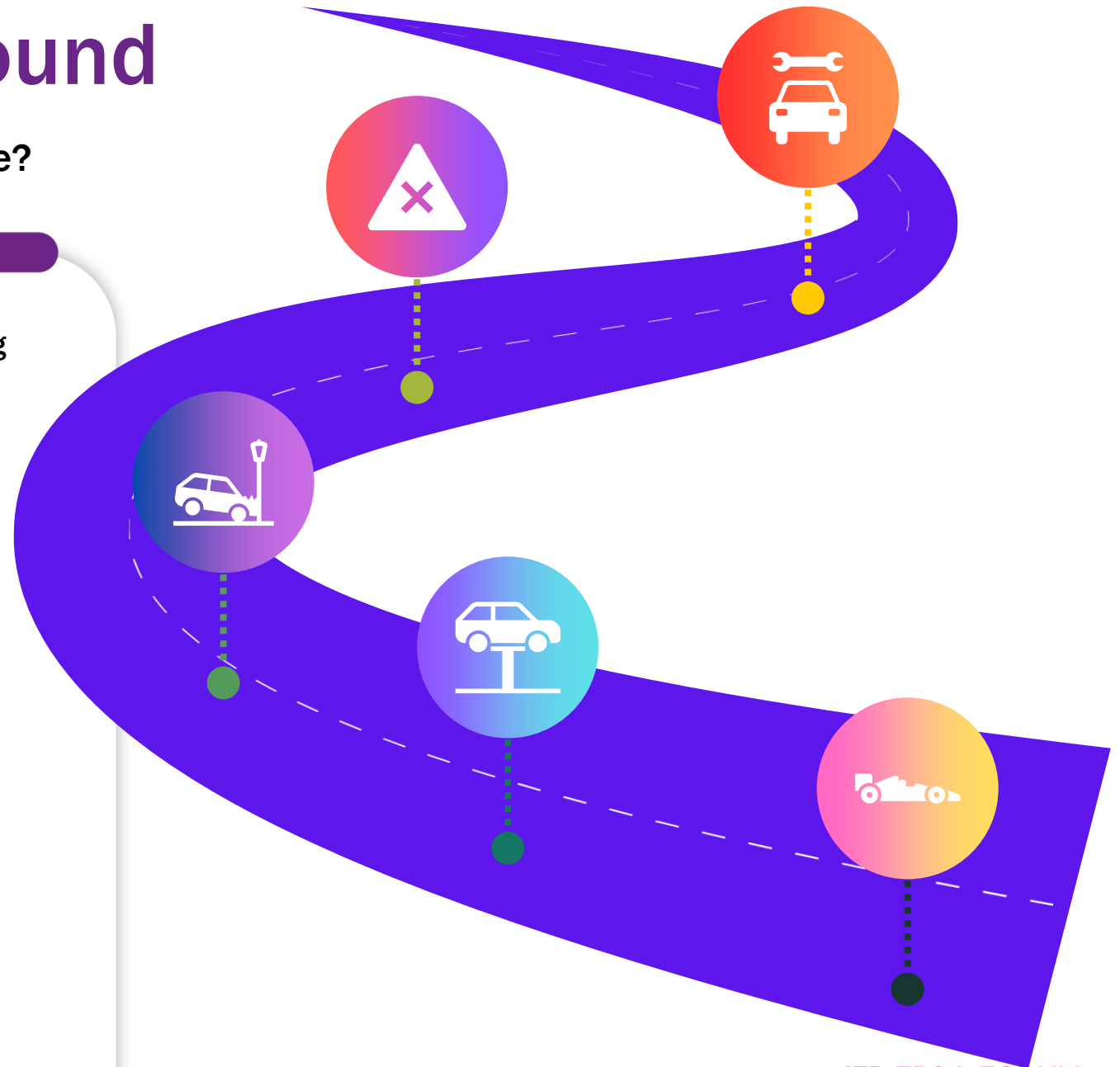
Moment of Truth
Ostrich Approach, Management in Panic Mode, Lack of Fact-based Decisions

04

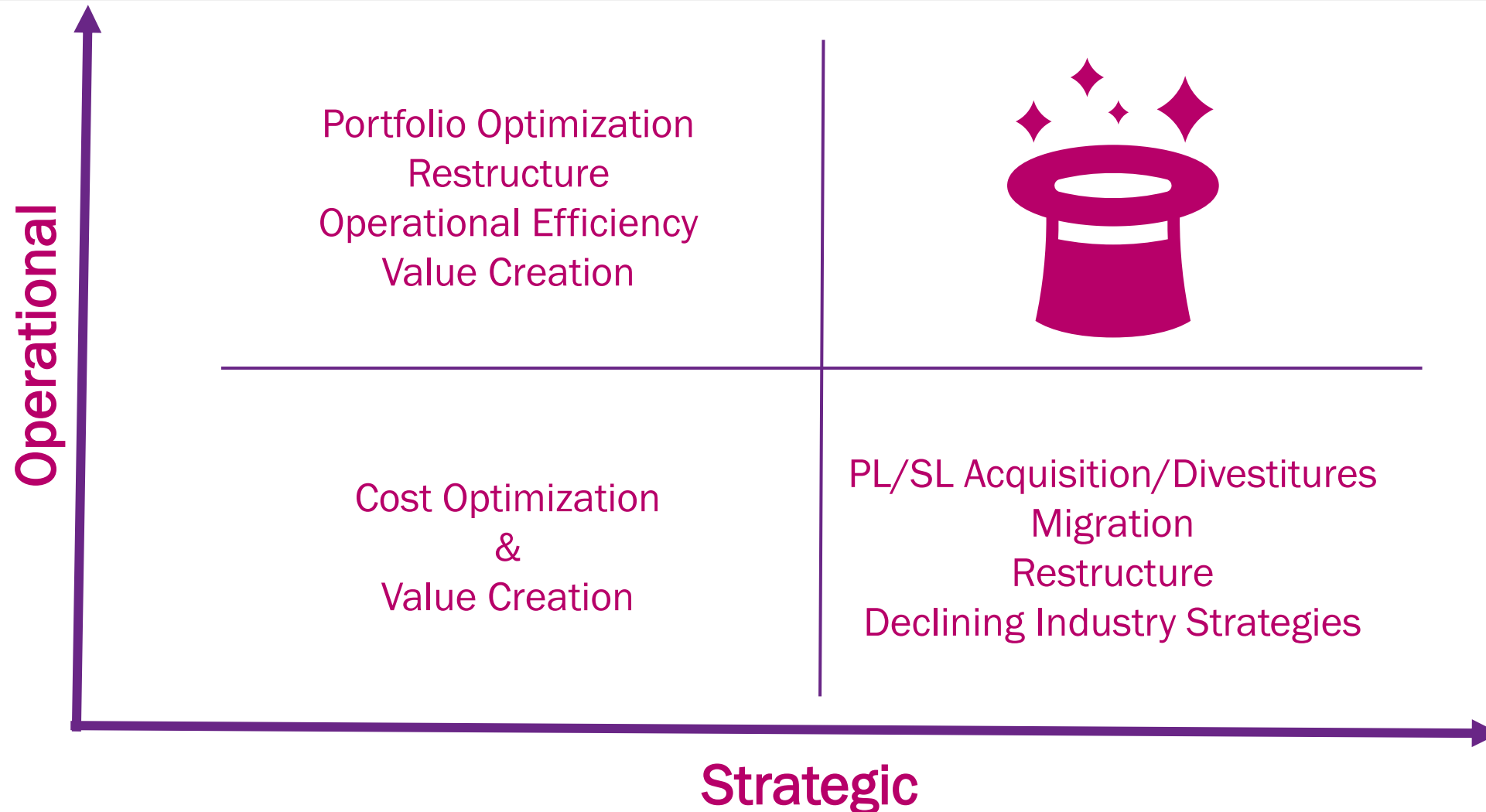
Turnaround in Play
Enhanced Financial Analysis, Map Out Deficiencies, Roadmaps to Profitability, Change Management

05

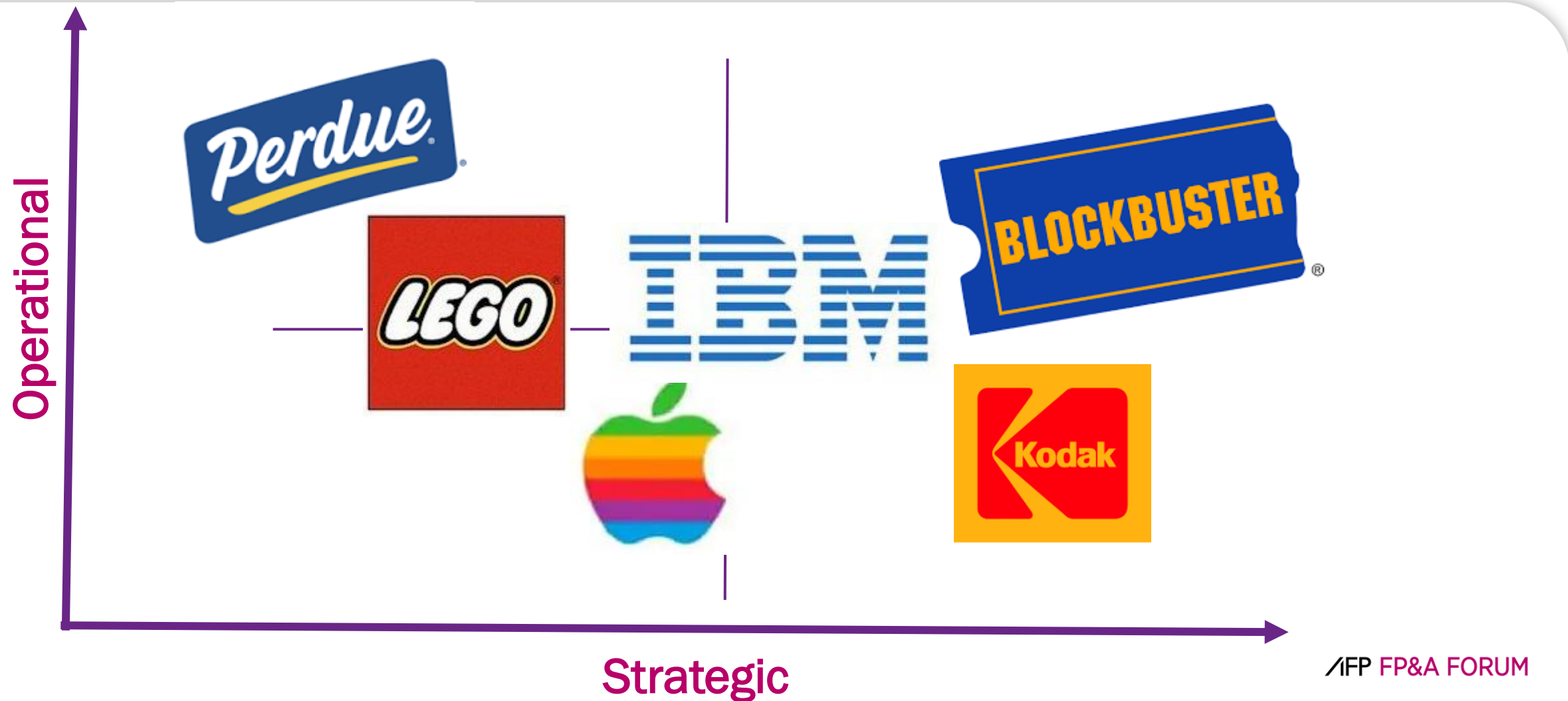
Back on the Road
Establish Controls, Define clear KPIs, Sustainable Growth initiatives, Capitalize on Lessons Learned



Not all turnarounds are the same



Not all turnarounds are the same

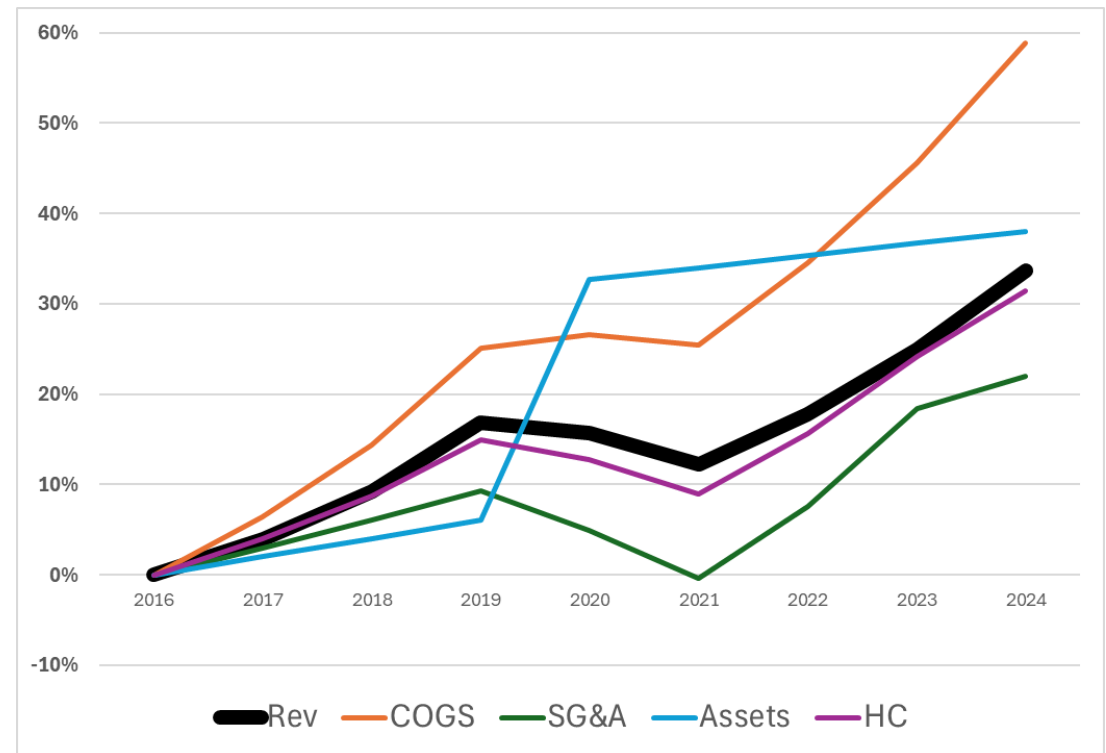


Analysis of Overexpansion

Key Steps

- Segregate financials by PL/SL
- Measure impact of change to isolate negative effects
- Understand root-cause for variations
- Develop roadmaps to maximize profitability

Visuals



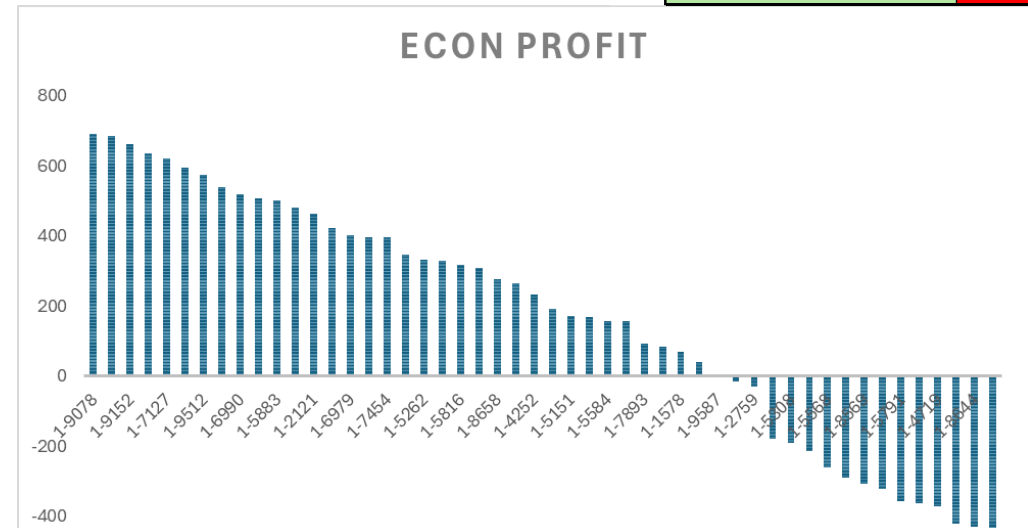
Portfolio Rationalization

Key Steps

- Profitability Analysis by SKU/SL
- 80/20 Matrix
- Make vs. Buy Decisions
- Pricing Overhaul / Segregation
- Lean out associated SG&A
- Rationalize SKUs

Visuals

		Product SKUs	
Customers		Revenue 64% #SKUs 4%	Revenue 16% #SKUs 16%
		Revenue 16% #SKUs 16%	Revenue 4% #SKUs 64%



Spans & Layers

Key Steps

- Using a list of employees and direct manager, build org charts by function
- Build a matrix showing ‘Spans of Control’ and ‘Layers.’
- Define a threshold and a ceiling for SoC and Layers
- Reorganize accordingly and minimize exceptions

Visuals

Layers	Ops	Sales	SC	HR	Fin	IT
1	10	4	3	5	6	3
2	4.6	5.9	5.1	3.6	4.4	6.0
3	3.5	3.2	10.0	3.0	5.3	7.0
4	4.9	9.4	4.7	5.7	6.3	
5	7.0	3.4	6.5		5.1	
6	6.9	7.1	9.5		3.5	
7	3.4	8.9	8.1			
8	8.0	9.2				
9	8.6	6.6				

Case Study:
Meeting the Headwinds Straight On

Circle K Stores Inc.
West Coast Division

Alimentation Couche Tard: Their Story



1985

• Founded

1997

• Winks

1999

• Macs

2001

• Big Foot

2003

• Circle K
Stores
Inc

2018

• Global
Brand



Rationalization of acquired assets begins

What is your
NI?
Where does
the division
rank?

What is the
market value
of the Real
Estate
portfolio?

Restate the
last two years
utilizing the
Canadian and
US Franchise
models?

How do the
State
regulations
compare to
the other
regions?

Are the assets
profitable in a
SLB Model?

Model your
position and
team if it
reported to
another
division

How many
additional
retail outlets
can be
managed by
the existing
OH?

Finance: Operating under a dual mandate of divestment and survival

Corporate: Strategy

- Business Model: Pragmatic approach to growth through acquisition
- Provide a return to stockholders and investors
- Minimize regulation, tax, and litigation risk
- Cash flow
- Preeminent Global Brand

Division: Operations

- Boots on the Ground
- Create value to survive
- Change management
- Finance wears many hats and answers to everyone
- Identifying critical PL drivers and benchmarking variances

Reporting: Agility, Speed, and Innovation



Finance is critical member of the Corporate Office and the Field Operations



Benchmarking

- Monday Morning weekly look back – not just an excel exercise
- Revisit all reporting and develop new reports
- New point of view



Maximize FPA Strengths

- Understand the top down, bottom up, risks and opportunities, and how the business flows
- Audit is not a dirty word
- Prioritization of capital investment



Character

- “Cone of Silence” – create an environment of trust, confidence, and purpose. Urgency not panic
- Be an active listener who does not engage in the blame game
- Lead through actions

Be a Detective: Uncover hidden opportunities

Analytics

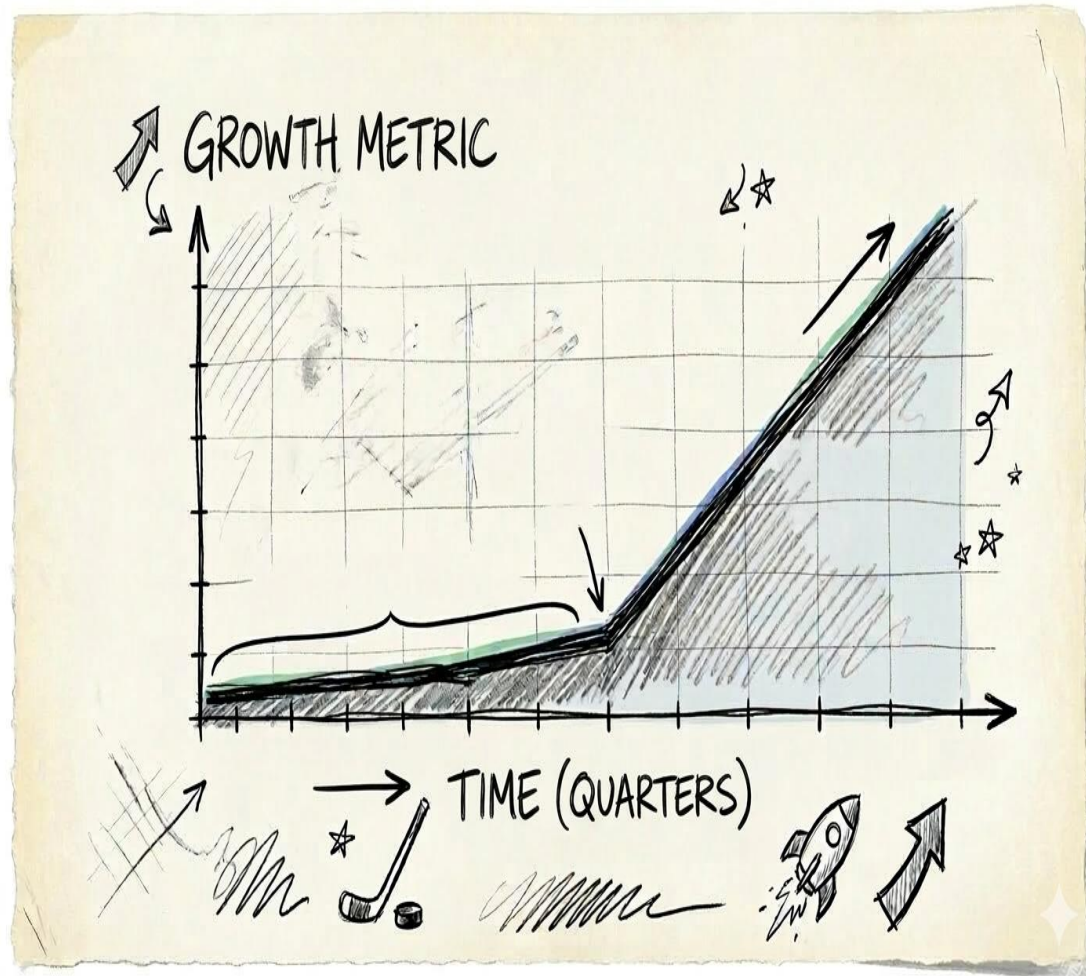
- Deep Dive Accounts Payable
- Erratic spending and outliers
- Leave no money on the table
- Internal Delegation of Authority

Cross Functional Networking

- Strip away the clutter
- Peer Divisions and Shared Service Finance



Leveraging analytics



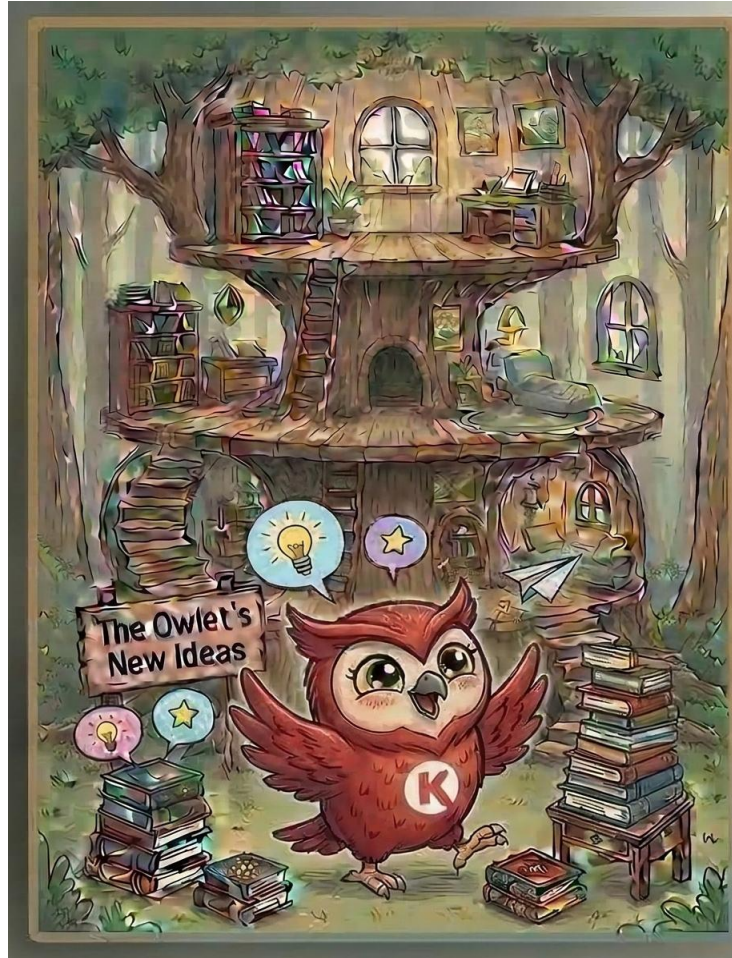
Budgets and What if analysis

- What are the must haves?
- New baseline
- Layers: Capital, Revenue, Expense, Non-negotiables
- Align Big Picture, Regional Office, Stores, Staff
- Integrity, Respect, Forthrightness
- A rising tide lifts all boats

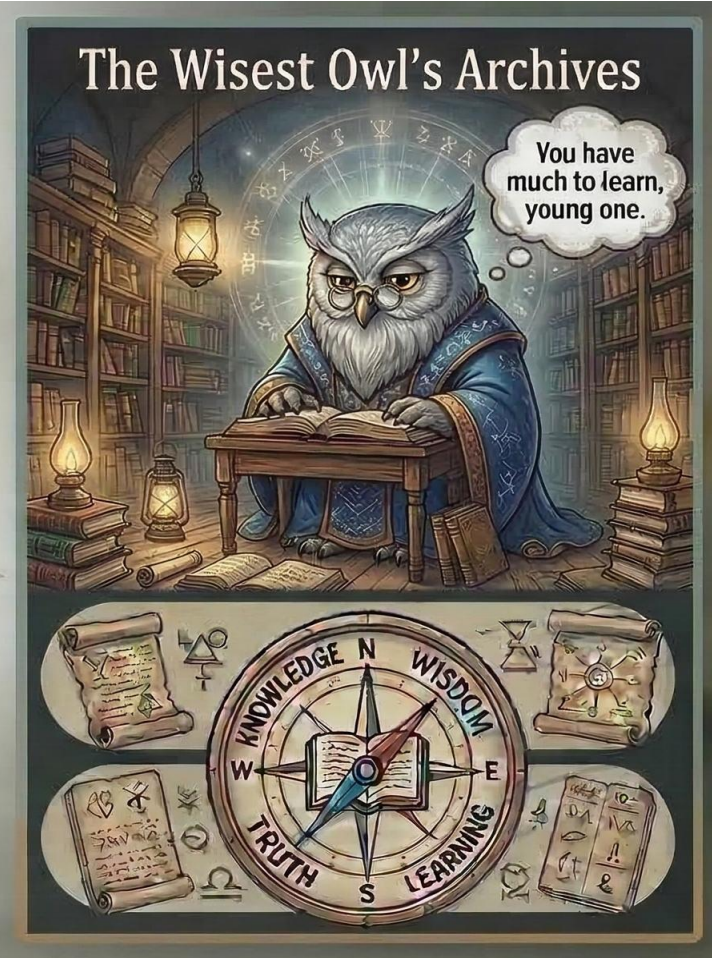
Outcome: Thriving Division Today



Unforeseen challenges



CULTURE



Critical themes

Differentiate
Strategic vs
Operation

Finance is a
value-creator, not
a cost-center

Identify root
causes and
variations

Leave no stone
unturned
Leave no money
on the table

Develop
roadmaps,
forecasts,
scenarios

Character and
leadership matter

What are your thoughts and experiences?

AFP FP&A FORUM




Antonio Morales

Executive Partner

Gartner

Transformational global CFO with experience in business turnarounds, finance digitalization, and M&A strategy

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